



**NATHANIEL
Group**



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Staff 1.01

OFFICIAL FILE

August 1, 2000

Roy King
Illinois Commerce Commission
Leland Building
527 E. Capital Avenue
Springfield, IL 62794

ALL E. G. DOCKET NO. 00-0455

Staff Exhibit No. 1.01

Witness _____

Date 10-13-00 Reporter tgb

Presented here is an overview of a Water Supply Agreement (Agreement) between Nathaniel Group and Cedar Water Co. (Utility). The Agreement executed on June 20, 2000 provided for Cedar Water agreed to extend its water distribution infrastructure to a residential subdivision of 17 lots (Project) on real estate owned by the Nathaniel Group in Lake Bracken, Illinois. The Agreement also provided for Nathaniel Group to advance funds to the Utility for the Improvements with the Utility refunding this advance from the proceeds it receives as customers in the Project connect to the Utility's service. This overview concerns the terms of the advance and reimbursement.

Advance Terms

The Improvements in the Agreement consist of Cedar Water extending its current water system to the 17 individual lots in the Project site. The Improvements comprise about 1400 feet of water line, 2 hydrants and 17 curb stops and boxes. The main elements of this Agreement regarding the extension and payment are as follows:

- Improvements are to be constructed as per the plans and specifications prepared by Weber, Hillemeier & Zuck dated April 30, 199 and approved by the Illinois Environmental Protection Agency (IEPA).
- Nathaniel Group will contribute \$21,700 toward the cost of the Improvements before starting construction. ← 21,700 Everything -
- Nathaniel Group obtained five competitive bids for the Improvements with the lowest bid at just over \$25,000. The Utility will do the required trenching and backfilling to install the Improvements and contract with the lowest bidder for the remaining Improvement work. The Utility estimated that this approach would cost the Utility no more than \$21,700.
- The home's water service will be provided by others (home builder) with Cedar Water Company installing the water meter and outside reader to the home's service line.
- Nathaniel Group will also contribute \$10,000 toward the installation of another 8,000-gallon hydro-pneumatic tank to increase the Utility's service capacity. ← Total Estimated Tank 10,000 - Developer financing 1/2 of Cost

Reimbursement Terms

The Agreement provides for the Utility to begin to reimburse Nathaniel Group's total advances of \$31,700 only after 10 customers have connected to the Utility's service. The Utility is to provide Nathaniel Group with 75% of the gross revenue collected from the Project starting with the first calendar quarter after 10 customers have connected. The reimbursement is to continue for ten years or until the total advances are repaid, whichever occurs first.

The Nathaniel Group expects the Project to have a connection rate of three homes per year. In 1998, the Utility had 56 customers and collected \$16,629 in water bills for an average of \$296.95 per customer per year. The table below shows the reimbursements to using a reimbursement amount of \$220 (approximately 75% of \$296.96) per home and a projected connection rate of three homes per year.

Year	Total Homes Connected	Cedar Water Gross Revenue @ \$220 per Home**	Amt Reimbursed to Nathaniel Group	Total Reimbursed to Nathaniel Group
2000	2	\$0		
2001	5	\$440		
2002	8	\$1,100		
2003	11	\$1,760 (1200)	\$220	\$220
2004	14	\$2,420 (1080)	\$880	\$1,100
2005	17	\$3,080 (2740)	\$1,540	\$2,640
2006	17	\$3,740	\$1,540	\$4,180
2007	17	\$3,740	\$1,540	\$5,720
2008	17	\$3,740	\$1,540	\$7,260
2009	17	\$3,740	\$1,540	\$8,800
2010	17	\$3,740	\$1,540	\$10,340
2011	17	\$3,740	\$1,540	\$11,880
2012	17	\$3,740	\$1,540	\$13,420
2013	17	\$3,740	\$1,540	\$14,960
Total	17		\$14,960	

300 x 5 x

2,250 = Paid 600.

Note: Gross revenue receipts reflect 12-month lag in the billing/collection of the water bills.

As the table shows, the reimbursement method in the Agreement will not reimburse Nathaniel Group its total advances. Using a reimbursement rate of \$220 per home per year, Nathaniel Group can only recover its advances if 10 homes were connected by the end of year 2001 or in the next sixteen months. As the calculations in the table above show, the Utility also benefits by receiving gross revenues total \$7,250 before beginning to reimburse Nathaniel Group. This initial revenue will allow the Utility to offset any Improvement costs not recovered from Nathaniel Group's advances. Nathaniel Group is willing to provide the Utility with favorable reimbursement terms to expedite the installation of the Water Improvements to the Project.

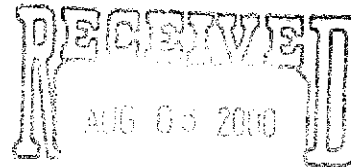
Richard Walsh

Weber Hillemeier & Zuck, INC.

Ronald I. Zuck, P.E., P.L.S. • Stephen M. Bruner, P.E., P.L.S. • Kevan J. Cooper, P.E.

August 7, 2000

Mr. Roy King
Illinois Commerce Commission
Leland Building
527 East Capitol Avenue
Springfield, Illinois 62794



ILLINOIS COMMERCE COMMISSION
FINANCE/RATE DESIGN

Subject: Lawndale Meadows Subdivision
Knox County, Illinois
Our Project No. 199005

Dear Mr. King:

Enclosed please find the following items, as requested during the Cedar Water Company hearing on July 28, 2000:

1. Summary of Facilities Costs, Agreement between system owner and developer, and Revenue Analysis.
2. Location Map.
3. Legal Description.

Please let me know if you require additional information or have any questions.

Sincerely,

WEBER, HILLEMEIER & ZUCK, INC.

A handwritten signature in cursive script, appearing to read "Kevan J. Cooper".

Kevan J. Cooper, P.E.

bl
enc
cc

Mr. Larry Jones, ICC
Mr. Rick Walsh, Nathaniel Group
Mr. George Swing, Cedar Water Company

Consulting Engineers • Land Surveyors
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ATTACHMENT/EXHIBIT

ITEM TOO LARGE TO SCAN

COPY AVAILABLE IN CHIEF CLERK'S OFFICE